

Message Text

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ACTION EB-07

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IMMEDIATE FOR GENEVA ONLY

E.O. 11652: NA

TAGS: ETRD, GATT, EEC

SUBJECT: TEXTILES: EC POSITION FOR DECEMBER 4 TSB MEETING

REF: A) EC BRUSSELS 9324 B) EC BRUSSELS 9364

1. BEGIN SUMMARY: MEYNELL SAYS THAT AS A RESULT OF HIS MEETING WITH MEMBER STATES HE ANTICIPATES AN OUTCOME IN THE TSB SIMILAR TO THE ONE DISCUSSED WITH JURICH, WITH TSB CLEARANCE OF THE US/INDIA AGREEMENT HE FURNISHED US WITH A LIST OF THE TALKING POINTS HE INTENDS TO MAKE IN COMMENTING ON THE US LETTER. END SUMMARY.

2. MEYNELL FURNISHED US OVER THE WEEKEND WITH HIS ASSESSMENT OF THE RESULT OF THE COMMISSION'S MEETING WITH MEMBER STATES ON NOVEMBER 29.

3. HIS COMMENTS WERE AS FOLLOWS:

A. HE ANTICIPATES THAT THE OUTCOME OF THE DECEMBER 4 TSB WILL BE AS DISCUSSED WITH JURICH LAST WEEK (REFTEL A), WITH THE INDIA AGREEMENT CLEARED;

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B. HE WILL NEED TO ADD ONE PHRASE AT POINT B" OUTCOME OF TSB

DISCUSSION" IN HIS NOVEMBER 26 DOCUMENT ENTITLED "POSSIBLE SCENARIO" SO THAT B WOULD NOW READ "ALSO NECESSARY TO RESPECT GENERAL OBJECTIVES AND REQUIREMENTS OF MFA AS A WHOLE, AND IN PARTICULAR THE EQUITY OF TREATMENT AS BETWEEN ALL PARTIES TO THE AGREEMENT;"

C. MEYNELL BELIEVES IT IMPORTANT THAT PHELAN LEND ACTIVE SUPPORT TO PERSUADE WURTH AND OTHER TSB MEMBERS TO SUPPORT THIS CONCLUSION (MEYNELL WILL TALK TO WURTH ON DECEMBER 2. HE WOULD LIKE TO MEET WITH PHELAN AND WURTH AT 6:00 P.M. ON DECEMBER 4 AT GENEVA);

D. MEYNALL BELIEVES THAT IN THE DISCUSSION IN THE TSB HE MUST INCORPORATE THE RESULTS OF HIS MEMBER STATE MEETING INTO A NUMBER OF COMMENTS ON THE US LETTER AND OTHER POINTS, BUT THESE COMMENTS NEED NOT BE RECORDED. THE ONLY RECORDING NEEDED IS TH "OUTCOME" OF THE TSB'S DISCUSSION. MEYNELL SAYS THAT HIS ABILITY TO GO ALONG WITH TERMINATION OF THE CONSIDERATION OF THE INDIA AGREEMENT AT THE NEXT MEETING DEPENDS UPON HIS MAKING THESE COMMENTS:

E. MEYNELL BELIEVES THAT THE BEST TACTICS WOULD BE, PRIOR TO THE MEETING, TO SHOW THE "OUTCOME OF THE TSB'S DISCUSSION" TO OTHER TSB MEMBERS, AT WHICH TIME THEY COULD BE TOLD THAT THE US, THE EC AND THE CHAIRMAN WOULD REGARD THIS OUTCOME AS ACCEPTABLE;

F. MEYNELL SAID THAT HE HOPED THAT IN RESPONSE TO HIS STATEMENT PHELAN WOULD BE ABLE TO STATE THAT IT WAS AN INTERESTING POINT OF VIEW NOT HOWEVER SHARED BY THE UNITED STATES WHICH HAD ALREADY INCORPORATED ITS VIEWS IN A LETTER TO THE CHAIRMAN AND NOT GO THROUGH THE ARGUMENT AGAIN;

G. IN EXPLAINING THE COMMUNITY'S POSITION, MEYNELL SAID THAT THE MEMBER STATES WERE NOT TRYING TO CAUSE DIFFICULTIES FOR THE UNITED STATES BUT BECAUSE OF THEIR RELATIONS WITH EACH OTHER ON THE TEXTILE ISSUE, AS WELL AS THE COMPLICATIONS CAUSED FOR THEM INDIVIDUALLY IN NEGOTAITING WITH EXPORTERS, THEY DO NOT FEEL ABLE TO GIVE UP WHAT THEY CONSIDER TO BE POINTS OF PRINCIPLE WITHOUT HAVING MEYNELL STATE THEM. MEYNELL STRESSED THAT THIS STATEMENT NEED NOT BE WRITTEN DOWN NOR RECORDED, HOWEVER.

4. FOLLOWING IS THEE LIST OF MAIN POINTS WHICH MEYNELL SAYS HE MUST INCORPORATE IN HIS COMMENTS TO THE TSB:

A. THE EC WELCOMES THE US LETTER NOT BECAUSE IT AGREES WITH IT BUT BECAUSE IT CLARIFIES ATTITUDES ON AN IMPORTANT ISSUES;
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B. THE COMMUNITY INTERPRETS ARTICLE 4 TO MEAN THERE MUST BE A "REAL RISK" OF MARKET DISRUPTION TO JUSTIFY CONCLUSION OF AN AGREEMENT. THE COMMUNITY STRIVES TO PROCEED ON THAT BASIS;

C. THE COMMUNITY NOTES THAT OTHERS DO NOT WHOLLY SHARE THIS APPROACH BU (HE WOULD THEN QUOTE FROM THE FIRST SENTENCE OF PARAGRAPH 4 OF THE PHELAN LETTER);

D. THE COMMUNITY WOULD NOTE THE STRESS ON TRADE EFFECTS AT THE END OF PARAGRAPH 2 IN THE PHELAN LETTER;

E. IN THIS SITUATION THERE IS A NEED TO ACKNOWLEDGE THAT DIFFERENCES OF APPROACH TO ARTICLE 4 BILATERALS EXIST. THIS CAN CREAT DIFFICULTIES, PARTICULARLY ONES OF EQUITY AS BETWEEN PARTIES TO THE ARRANGEMENT:

F. THE COMMUNITY STRESSES THAT IT IS EXAMININ THE US/INDIA AGREEMENT. INTERPRETATION IN THE WIDER SENSE NEED NOT BE UNDERTAKEN IF THE TSB CAN RESOLVE ITS EXAMINATION OF THE AGREEMENT UNDER TEX/SB/35 PROCEDURE;

G. BUT FOR THE TSB MEMBERS, ESPECIALLY THOSE REPRESENTING EXPORTERS THAT HAVE CONCLUDED COMPREHENSIVE AGREEMENTS, THE COMMUNITY DRAWS ATTENTION TO THE RESPONSIBILITIES THEY HAVE ASSUMED IN AGREEING TO THEM THERE SHOULD BE EQUITY AS BETWEEN IMPORTING COUNTRIES AND EQUITY AS BETWEEN EXPORTING COUNTRIES;

H. PARAGRAPH 2 OF THE US LETTER SUGGESTS THE VIEW THAT ARTICLE 4 HAS NO PLACE UNLESS COMPREHENSIVES ARE AUTHORIZED. THIS IS NOT THE COMMUNITY'S VIEW. THE US STATEMENT OF 14 DECEMBER 1973 IS CLEARER AND UN-OBJECTIONALBLE. THE COMMUNITY'S VIEW IS THAT ARTICLE 4 SERVES AN INTERMEDIATE PLACE BETWEEN ARTICLE 3 AND FORMER LTA ARTICLE 4;

I. ON THE INDIA AGREEMENT, JUDGMENT SHOULD BE BY THE TRADE EFFECTS. IF AT THIS TIME THE COMPREHENSIVE NATURE OF THE AGREEMENT IS NOT RESTRICTIVE, IT IS IMPORTANT TO REMEMBER AND STRESS RIGHTS UNDER ARTICLES 9 AND 11 IN CASE IT SUBSEQUENTLY SERVES TO BECOME RESTRICTIVE OR CAUSE TRADE DEFLECTION. COULD THE US GIVE REASONS TO SHOW THAT THE TRADE EFFECTS FROM COMPREHENSIVE COVERAGE ARE LIBERAL IN AMPLIFICATION OF THE LETTER OF 8 NOVEMBER? (MEYNELL SAYS HE WOULD LIKE TO HAVE PHELAN GIVE FIGURES ON THE ENLARGEMENT OF QUOTAS AND THE PATTERN OF TRADE REALIEZED FRO THE PERIODS 1972-3, 1973-4 AND 1974-5.);

J. THE COMMUNITY WOULD RAISE OTHER SPECIFIC POINTS IN THE AGREEMENT: (1) ON DUCK (C.F. LETTER OF 8 NOVEMBER); (2) ARTICLE 6 OF THE INDIA AGREEMNT-HE WOULD INQUIRE ABOUT THE CIRCUMSTANCES WHICH MIGHT BE INVOLVED, BEARING IN MIND LIMITED OFFICIAL USE

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THAT IT APPEARS TO BE AN ANNEX B WITHOUT THE CRITERIA OF ANNEX A;

K. TO TERMINATE, MEYNELL MIGHT OR MIGHT NOT INCLUDE IN HIS STATEMENT A SUMMARY OF THE CONCLUSIONS BY THE TSB.

5. BELOW IS THE MISSION'S VERSION OF THE CURRENT STATE OF THE "OUTCOME" AS PROPOSED BY MEYNELL: OUTCOME OF TSB'S DISCUSSION. TSB CONSENSUS WOULD INCLUDE THE FOLLOWING: (A) NOT THAT IN PRINCIPLE THERE HAS TO BE SOME ELEMENT OF "REAL RISK OF MARKET DISRUPTION" IN NEGOTIATION OF AN ARTICLE 4 BILATERAL AGREEMENT AND BY EXTENSION SOME ELEMENT OF SELEVTVITY; (B) ALSO NECESSARY TO RESPECT GENERAL OBJECTIVES AND REQUIREMENTS OF MFA AS A WHOLE, AND IN PARTICLAR THE EQUITY OF TREATMENT AS BETWEEN ALLPARTIES TO THE AGREEMENT;

(C) ACCORDINGLY IN EXAMINING CONSISTENCY OF AGREEMENTS NOTIFIED
ACCOUNT MUST BE TAKEN OF THEIR TRADE EFFECTS;

(D) NOTES THAT US AGREEMENTS INCLUDE "BASKETS" AS WELL AS
SPECIFIC RESTRICTIONS. (ON INFORMATION BEFORE IT THESE
BASKETS" IN THE AGREEMENT WITH INDIA IN LIGHT OF CURRENT TRADE
DO NOT RESTRICT REAL CURRENT TRADE LEVELS.)

(E) NOTES ALSO THAT RIGHT OF RECOURSE BY INTERESTED PARTIES
UNDER ARRANGEMENT EXISTS AT ANY TIME;

(F) TSB CONCLUDES THAT US/INDIA AGREEMENT HAS BEEN EX-
AMINED ON BASIS INDICATED IN TEX/SB/35 AND SHOULD ACCORDINGLY
BE COMMUNICATED TO TEXTILES COMMITTEE.MYERSON

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